

Coalition Calls on Congress to Allow FASB to Issue Rule on Expensing Stock Options

Source: PRNewswire

PRESS RELEASE

Publication date: 2004-05-19

WASHINGTON, May 19 /PRNewswire/ -- The Financial Accounting Coalition for Truthful Statements (FACTS) released a statement today asking Congress to stay out of the Financial Accounting Standards Board's process for considering a proposed rule requiring companies to expense all stock options. FACTS is a broad coalition of 30 pension funds, consumer/investor groups and labor unions advocating fairness and transparency in financial reporting. (See Statement below for list of members.)

FACTS, which represents millions of Americans, agrees that stock option compensation is a real expense that appropriately should be included on corporate income statements, not hidden in footnotes to financial statements. The group's spokesperson, Liz Fender, commented that, "Congress interfered with FASB about 10 years ago and with all of the recent events that have shaken the public's trust in the financial markets, we are surprised that they are once again contemplating such a move."

The coalition believes that accounting rules are best decided not by Congress but by FASB, an independent body charged with setting accounting standards. FASB has the expertise to fully evaluate accounting issues. It has an open, independent process for considering new accounting standards.

Less than two years have passed since the Sarbanes-Oxley Act of 2002 established a mechanism ensuring that FASB would be independently funded and free from any pressures from special interest groups. HR 3574/S. 1890, "The Stock Option Accounting Reform Act," undermines this important reform by allowing Congress to succumb to pressure from special interests and override FASB's independence.

OPPOSE H.R. 3574/S. 1890 -- OBJECTIVITY, NOT POLITICS,

SHOULD DETERMINE STOCK OPTIONS REPORTING

* We speak for the millions of ordinary Americans who want fairness and accuracy in financial reporting about corporate performance.

* Many that we represent have already lost confidence in companies that have violated or manipulated accounting requirements. If the Congress sides with special interests to interfere with improving standards, their confidence will be further shaken.

* H.R. 3574/S. 1890, "The Stock Option Accounting Reform Act," would establish the dangerous precedent of Congress intervening to substitute special interest provisions in place of standards that are set independently and objectively to achieve accurate and transparent financial reporting.

* H.R. 3574/S. 1890 would inject Congress directly into the accounting standard-setting process by mandating which stock compensation should be expensed and by what methodology, as well

as establishing special exemptions for small businesses. Nothing could be farther from the independence for FASB to set accounting standards that Congress established in the Sarbanes-Oxley Act.

* FASB's role is to insure that companies provide transparency and accuracy in accounting standards. FASB designs the ruler. It is for others to decide what to do with the measurements.

* Stock option compensation is a real expense. Excluding stock options distorts reported earnings and misleads the public about true financial performance of companies. Excluding stock options also invites excessive executive compensation, to the detriment of shareholders, and employees.

* Growing numbers of shareholder's proposals are being adopted calling for expensing of stock-option compensation and hundreds of firms from all sectors of the economy have begun to voluntarily expense.

* Now is the time to say "no" to the special interest plea for distorted financial reporting and "yes" to the independent and objective process by which FASB determines the most accurate methods available to give information to the public.

FINANCIAL ACCOUNTING COALITION FOR TRUTHFUL STATEMENTS

(FACTS)

Amalgamated Bank

American Federation of Labor and Congress of Industrial Organizations

American Federation of State, County and Municipal Employees

Bricklayers & Trowel Trades International Pension Fund

Building Trades United Pension Trust Fund

Carpenters Local Unions and Councils Pension Fund

Central Laborers

CFA Institute (formerly the Association for Investment Management and Research)

Citizen Works

Coalition to Stop Stock Options

Consumer Action

Council of Institutional Investors

CWA/ITU Negotiated Pension Plan

Florida State Board of Administration

City of Hartford Municipal Employees Retirement Fund

Hermes Pensions Management Ltd.

International Brotherhood of Teamsters

International Corporate Governance Network (ICGN) Accounting and Auditing

Practices Committee

Iowa Public Employees Retirement Systems

The Jeffrey Company

Lawndale Capital Management LLC

Missouri State Employees Retirement System

Montana Board of Investments

New Hampshire Retirement System

New Jersey Division of Investment

New York State and Local Retirement Systems

Ohio Highway Patrol Retirement System

Ohio Police and Fire Pension Fund

Ohio Public Employees Deferred Compensation Program

Ohio Public Employees Retirement System

School Employees Retirement System of Ohio

State Teachers Retirement System of Ohio

Sacramento County Employees Retirement System

TIAA-CREF

UNITE Laundry & Dry Cleaning Workers Pension Fund

UNITE National Retirement Fund

UNITE Textile Workers Pension Fund

U.S. Public Interest Research Group

Universities Superannuation Scheme

State of Wisconsin Investment Board

(in formation)

Financial Accounting Coalition for Truthful Statements

CONTACT: Elizabeth Fender of the Financial Accounting Coalition for Truthful Statements, +1-917-670-1427, or elizfender@yahoo.com

Publication date: 2004-05-19